

Study finds Medicare prescription benefit program has exceeded expectations

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The program created to provide Medicare recipients with prescription drug benefits exceeded expectations during its first two years, extending pharmacy coverage to most seniors while reducing their overall spending on drugs, according to a new RAND Corporation study.

Although Medicare Part D generated confusion when it was introduced in January 2006, the program has worked well for most seniors and is comparable to other non-Medicare drug plans that cover large groups of seniors, according to the report published in the August edition of the *American Journal of Managed Care*.

"In the beginning there was a lot of concern about Medicare Part D, but we found convincing evidence that it has exceeded expectations and generally has been successful," said Geoffrey Joyce, the study's lead author and a senior economist at RAND, a nonprofit research organization. "Most seniors now have prescription drug coverage that allows them to buy drugs at a reasonable cost."

Researchers estimate that during its first year in 2006, Medicare Part D resulted in a 16 percent drop in out-of-pocket spending among seniors for prescription medication and a 7 percent increase in the number of prescriptions filled. The savings appears to have been concentrated among the poor and disabled.

"It appears that Medicare Part D has been particularly successful in lowering costs for the poor and the disabled, which is an important

finding since initially there was concern these groups would be particularly vulnerable under a privately administered benefit," Joyce said.

Researchers from RAND Health used administrative records to examine seniors' participation in the Medicare Part D program, including how the program has affected seniors' access to medications, their use of prescription drugs and their financial risk. They also compared the 10 largest Part D plans in 2006 to seven non-Medicare drug plans often cited as examples of low-cost or generous pharmacy benefits.

After two years, about 90 percent of seniors have drug coverage at least as generous as the standard Part D benefit. Medicare recipients in most states could choose from more than 50 different Part D plans in 2008, a sign of competition among the private companies that provide the coverage.

The number of covered drugs in the 10 largest Medicare Part D plans compared favorably with the coverage provided by other prescription drug plans that insure seniors, such as those offered by Kaiser Permanente, the Veterans Administration and the California Public Employees Retirement System.

Among the 300 [prescription drugs](#) most often used by seniors, about half were covered under the lowest co-payment tiers provided by the 10 largest Medicare Part D plans, according to the study. The number of drugs not covered varied from four to 41 among the largest Part D plans. In contrast, Kaiser Permanente and the Veterans Administration excluded 75 and 84 medications, respectively.

Although the program has exceeded initial expectations, researchers say problems remain with [Medicare](#) Part D.

A substantial number of predominantly low-income seniors still need to be better educated that enrolling in the program is in their interest and given instruction about how to evaluate the many plans offered to choose the one that best meets their prescription drug needs.

In addition, the annual spending caps included in the plans leave too many seniors without pharmacy coverage for a portion of each year, according to researchers. Recent work suggests that 3 million seniors reached the so called "donut hole" or gap in Part D coverage during 2007, with about 20 percent of [seniors](#) stopping their medications after their coverage lapsed for the year.

Source: RAND Corporation

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